

# Investment and Securities Account Restrictions Under FINRA's Code of Conduct

The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. FINRA's mission is to protect America's investors by making sure the securities industry operates fairly and honestly.

Along with their responsibilities to the securities industry, FINRA employees have responsibilities to all of FINRA's other constituents, and to each other—and, therefore, must conduct themselves in a manner that commands the respect and confidence of everyone.

To this end, we have adopted the FINRA Code of Conduct, which outlines our ethical commitments and expectations, and provides guidance on what employees must do to meet them.

Among other things, FINRA's Code of Conduct imposes restrictions on employees' investments and requires financial disclosures that are uniquely related to our role as a securities regulator:

- FINRA employees cannot have a debt or equity interest (*i.e.*, bonds, notes or stock) in broker-dealers, or companies that have broker-dealer subsidiaries that contribute 10% or more of the parent's revenue net of interest expense. FINRA's Prohibited Company List, which notes the companies that currently meet or exceed this 10 percent threshold, is available upon request. Unless a new hire qualifies for a waiver (see below), liquidation of impermissible investments is required at or prior to starting employment with FINRA.
- FINRA employees also cannot hold, purchase, write or sell options or other derivative securities for which value is determined from debt or equity interests in any company included on that list. Absent a waiver, liquidation of any such investments is required when starting employment with FINRA.
- FINRA employees cannot purchase stock in an initial public offering (IPO). This prohibition applies to all IPOs, regardless of the market on which the stock trades.
- The Code's investment restrictions apply not only to employees' accounts, but to accounts in which employees control trading or have a financial interest (*e.g.*, managed accounts, trust accounts, investment club accounts and the accounts of spouses or minor children who live with the employee).

- FINRA employees are required to disclose all brokerage accounts that they maintain, and those in which they control trading or have a financial interest (*e.g.*, managed accounts, trust accounts, investment club accounts and the accounts of spouses or minor children who live with the employee). All of those accounts are subject to the Code's investment and securities account restrictions.
- FINRA employees are required to authorize their broker-dealers to send duplicate account statements directly to FINRA. This applies to any account that is required to be disclosed to FINRA.
- FINRA employees also must maintain all securities accounts that are required to be disclosed at one or more securities firms that currently provide an electronic feed (e-feed) of transaction and position data to FINRA or are in discussion to do so. New hires who have securities account(s) at another, non-e-feed firm have three months to either: (a) have the firm enter into discussions with FINRA's Code of Conduct group to implement e-feed delivery, or (b) move the account(s) to a firm that provides an e-feed. Lists for both securities firms that currently provide an e-feed and firms that are in discussion with FINRA to do so are available upon request.
- FINRA employees in our Regulatory Operations and Transparency Services departments also are subject to trading restrictions that require a minimum 30-day holding period for any debt, equity or derivative security that is traded on a U.S. exchange or trading system (any debt, equity or derivative security listed on any U.S. exchange and any unlisted security traded over-the-counter). Certain exceptions apply, about which additional information is available upon request, as is clarification on whether the position you may be seeking is subject to these trading restrictions.

If you believe that complying with these restrictions would raise concerns for any investment you have, please feel free to discuss your concerns during the interview process. If you feel that your concerns have not been resolved, please advise your contact in the Human Resources Department that you need to speak with a member of the Code of Conduct staff. If you have questions about FINRA's restrictions on employees' investments, you may also email [CodeofConduct@finra.org](mailto:CodeofConduct@finra.org).

In certain limited situations, employees may receive a waiver of a particular provision of the Code of Conduct. For example, a new hire who would incur undue hardship if required to liquidate an impermissible investment upon joining FINRA may be allowed more time to dispose of the security, or allowed to hold the security for a specified period, if appropriate.

If such "hardship" issues apply to you, be sure to discuss them during the interview and negotiation process; this allows for the availability and terms of a possible waiver to be resolved before you accept FINRA employment.